



# Designated survivor?

## Family Businesses in the eye of the storm (4) –

### An international survey



In our [first article](#) we focused on the massive challenges that Family Businesses ('FBs') are facing – and how this unprecedented crisis is impacting these privately-held businesses.

The [second article](#) then described how FBs are adapting to survive – focusing on the measures they are taking. In the [third article](#) we looked at the opportunities FBs are spotting and also asked them: "Is this the end of globalisation?" Finally, we want to turn to the question that interested us most when we initiated the survey: Are FBs better able to survive crises?

While a number of respondents stated that no one type of enterprise was uniquely positioned to weather turbulent times – and that, in the words of one CEO, "there are only well-led companies and badly-led companies" – most Owners and Chief Executives felt that their own FB did benefit from a number of defining characteristics that made them more resilient in a crisis than publicylisted corporates. These included:

#### Long-term orientation

Practically all interviewees advanced a strong case that FBs have "a different horizon when it comes to critical decision-making" and were intrinsically more able to take a long-term view – "they are less dictated to by short-term factors because there are no outside investors". FB Owners and their CEOs tend to think in decades. They are much less inclined to take decisions which might help in the short-term but cause lasting harm over the longer term. This might be one of the rea-sons why most of our discussion partners regarded massive lay-offs as unthinkable or, at least, as the 'ultima ratio' option.

#### Multi-generational

This long-term orientation also includes multi-generational thinking, both in the sense of owners



being mindful of the legacy that is left to the next generation in the future, as well as how that younger cohort can inject fresh thinking and motivation today. Advocates of diversity strongly believe that it is a means to making better decisions and in the FB world diversity does not just come from a gender-balanced team but also by seeking input from beyond one age group. Even if their family members are millennials and not yet fully rounded in terms of experience, a number of CEOs have been grateful to be able to tap into the creative thinking of a younger generation – and also use this as an opportunity to bring NextGen members closer to the business.

## **Sustainable financial management**

Most interviewees believe that Family Business owners have a fundamentally different mentality with regard to financial stewardship, liquidity and the careful management of debt when compared with publicly traded companies. A typical quote from a FB CEO stated that “this is a conservative, family-driven company. We have always believed in the family and in the ExCom that ‘cash is king’. Today, we are cash rich with zero debt.” While it may be argued that this kind of ‘conservatism’ or ‘risk aversion’ can have its drawbacks, there is little doubt that many FBs are in a sounder financial position than the corporations who suddenly find their use of leverage was not such a smart play.

## **Speed**

Quick reactions and decision-making are often cited as a FB advantage. One FB CEO, previously at one of the largest FMCG conglomerates, stated that FBs “can be much better than corporates if they use speed and transparency of decision-making to their advantage. A GM in Unilever, however, has to deal with layers of organisation and bureaucracy.”

## **Loyalty**

Many owners go out of their way to praise their workers for how committed they are to the business and how they have reacted in adversity; “the team rallied around globally” is typical of their comments and FBs certainly enjoy lower employee turnover than many corporates. Loyalty has to go both ways of course and FBs seem to have genuinely closer relationships to their employees. Many do everything to avoid lay-offs and also take the long view with regard to human capital, retaining workers even in downturns to avoid losing critical competencies – and preserving the employer brand so as to not lose out in the war for talent. Another example from the survey is a consumer goods business which has not cut pay for any workers in 2020 despite facing a big decrease in sales this year. In the words of that FB’s CEO: “We had a record year in 2019 and we have to thank people for that performance.”

## **Customer intimacy**

FBs tend to build deep roots and are more likely to develop long-term, trusted relationships with their clients. As an example of going the extra mile, one FB that supplies some of the largest global brewing groups has developed a ‘supply chain dashboard’ for a key customer to help them be more precise in their operational planning.



## Values

Many interviewees spoke warmly about the values and culture of their FB. For many, there is a purpose which goes beyond 'just making money' and FBs are often regarded as acting "with a greater sense of responsibility". Others believe that "it is easier to stay loyal to your principals... and act in a sustainable way". And for owners, whose name is above the shop, reputation matters.

## Entrepreneurial spirit

FBs have "real owners" who are committed financially and emotionally to the enterprise, as opposed to "hired guns who always have a personal Plan B" and can walk away whenever they feel like it. FB owners who feel 'they have to stay' in good times and bad times are typically characterised by entrepreneurial behaviour and a roll-up-the-sleeves approach.

## History

Last but not least, a number of interviewees spoke proudly of their companies' long history and how they are inspired by previous generations who came through periods of turmoil. This point is linked to the long-term planning that we have already talked about – but goes beyond it. This is also about institutional solidity and resilience – and having a sense that whatever happens "this too, will pass". As one owner exclaimed: "We have been in business for 140 years and we have seen so many crises!"

Most FBs are SMEs and, as such, lack the sheer scale and footprint of the big corporates, with less ability to move resources around the globe and offset weaknesses in particular markets. And, as several CEOs who started their careers in large conglomerates pointed out, many FBs are also weaker in terms of systems and processes.

However, our strong sense from this survey is that FBs as a class of enterprise genuinely do exhibit some unique pieces of DNA which come to the fore in times of crisis. In the midst of an unprecedented global shockwave, with daily negative headlines, we found ourselves pleasantly surprised and uplifted by the confidence and can-do spirit of these FB owners and Chief Executives.

A big thank you to all the business leaders who generously gave their time and shared their thoughts with us for this survey!

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